
FEDERAL DEPOSIT INSURANCE CORPORATION

Executive Management Report

Unaudited

Financial Results

For the Nine Months Ending September 30, 1998



Financial Highlights

For the Nine Months Ending September 30, 1998

Insurance Funds:

- The Insurance Funds' financial statements do not yet reflect estimated losses from bank and thrift failures that result from year-2000 related problems. Any potential loss is neither probable nor reasonably estimable at this time.
- Since August 1998, the BIF's and SAIF's cash equivalents have risen due to an increase in investments in overnight U.S. Treasury securities. This is primarily due to recent market conditions which caused the yield on intermediate and long-term securities to drop to all-time lows. Currently, overnight investments provide a greater return.

Bank Insurance Fund (BIF):

- Comprehensive Income (net income plus unrealized gains on available-for-sale securities) was \$808 million for the nine months ending September 30, 1998, raising the fund balance to \$29.1 billion.
- Revenue totaled \$1.3 billion for the nine months ending September 30, 1998. The fund earned \$1.25 billion in interest on investments in U.S. Treasury securities and earned \$16 million in deposit insurance assessments.
- The liability for anticipated failures of insured BIF institutions at \$2 billion reflects the stable condition of the banking industry.
- Receivables from bank resolutions are \$873 million at September 30, 1998. This receivable peaked at \$27.8 billion in 1992 due to the large number of bank failures occurring at that time.
- Assets in liquidation totaled \$1.4 billion as of September 30, 1998, down by \$1 billion over the last 12 months.
- Total BIF expenses (fund level and receivership) decreased by \$60 million to \$597 million for the period ending September 30, 1998, compared to the same period last year. The BIF's operating expenses at the fund level increased by \$87 million to \$501 million as BIF liquidation activity declined and programs associated with the primary purpose of the BIF, to insure deposits and to protect depositors of BIF-insured banks, become the principal activity of the Fund.

Savings Association Insurance Fund (SAIF):

- Comprehensive income was \$363 million as of September 30, 1998, increasing the fund balance to \$9.7 billion.
- Total revenue was \$431 million for the nine months ending September 30, 1998. This amount includes \$421 million in interest earned on investments in U.S. Treasury securities.

FSLIC Resolution Fund (FRF): ~FRF-FSLIC~

- The U.S. Department of Treasury has determined that the FRF is responsible for the payment of judgements and settlements in most supervisory goodwill litigation cases against the U. S. Government. Future goodwill litigation payments cannot be reasonably estimated at this time. Payments for settlements reached to date total \$103.3 million.
- Assets in liquidation totaled \$87 million, down by \$227 million over the last 12 months.
- Net cash provided by operating activities decreased by \$865 million over the same period last year, due primarily to \$651.7 million received in January 1997 from the sale of common stock. The FRF received the stock pursuant to a December 1996 conversion of warrants originally acquired from a 1987 assistance transaction.
- The FRF-FSLIC received \$99 million in tax benefits for the first nine months of 1998. Tax benefits are derived by an acquiring institution's utilization of a failing institution's net operating losses, credit carry forwards, and other benefits. FDIC receives cash from the acquiring institution for a percentage of the tax benefits used.

~FRF-RTC~

- The FRF-RTC earned \$193 million in interest income during the first nine months of 1998 on the securitization credit enhancement reserves.
- Assets in liquidation totaled \$1.5 billion as of September 30, 1998, down by \$1.1 billion over the last 12 months.
- Federal Financing Bank (FFB) borrowings were fully repaid in August 1998. This debt peaked at \$64 billion in 1991.
- Provision for losses is a negative \$374 million for the period, primarily reflecting decreased losses expected for assets in liquidation.
- The accumulated deficit declined by \$1 billion over the past 12 months, as total resolution equity increased to \$7.2 billion as of September 30, 1998.
- The FRF-RTC has cash recoveries from the securitization reserve funds totaling \$845 million for the nine month period. The trustee released these funds because either securitization deals were terminated or certain criteria were met to allow the release.

Other Significant Highlights

Bank and Thrift Failure Activity:

- Three BIF-insured institutions, with assets of \$391 million, failed during the first nine months of 1998. During 1997, one bank failed with total assets of \$26 million.
- No SAIF-insured institutions failed during the first nine months of 1998 or during calendar year 1997.

Asset Capitalization:

- Effective January 1, 1998, the FDIC began capitalizing various costs including software development, computer equipment, and leasehold improvements due to the increasing materiality of these costs. Previously, only land and buildings owned by the Corporation were capitalized. The BIF is the designated administrator of all capital assets owned and used by the Corporation. Depreciation expense will be allocated periodically to all funds on an equitable basis for each class of assets.

Statistical Highlights

(Dollars in Millions)

Fund Results	Bank Insurance Fund (Unaudited)		Savings Association Insurance Fund (Unaudited)	
	YTD 9/30/98	YTD 9/30/97	YTD 9/30/98	YTD 9/30/97
Revenue	\$1,303	\$1,182	\$431	\$412
Operating Expenses	\$501	\$414	\$62	\$50
Insurance Losses/Expenses	\$10	(\$345)	\$12	(\$3)
Comprehensive Income (a)	\$808	\$1,113	\$363	\$365
Fund Balance	\$29,101	\$27,967	\$9,731	\$9,253

Selected Statistics

Total Insured Institutions	9,265 (b)	9,511 (c)	1,474 (b)	1,546 (c)
Number of Failures, YTD	3	0	0	0
Total Assets of Failures, YTD	\$391	\$0	\$0	\$0
Total Estimated Losses, YTD	\$154	\$0	\$0	\$0
Receivership/Assets Acquired from Assisted Institutions and Terminated Receiverships	\$1,428	\$2,488	\$3	\$18

(a) Includes Net Income plus any unrealized gains and/or losses on available-for-sale securities.

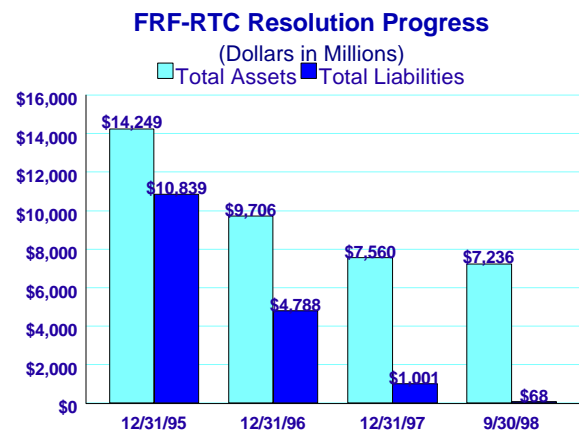
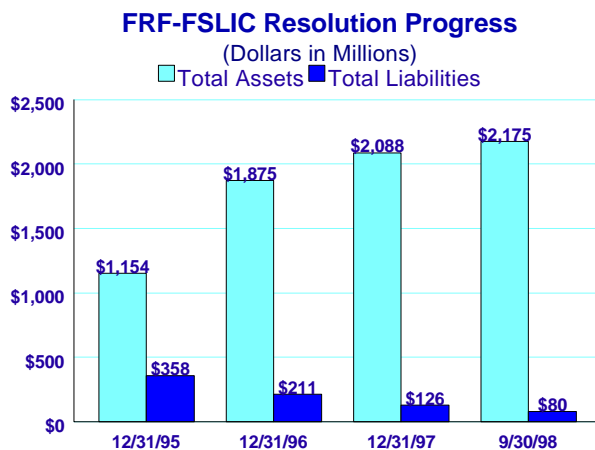
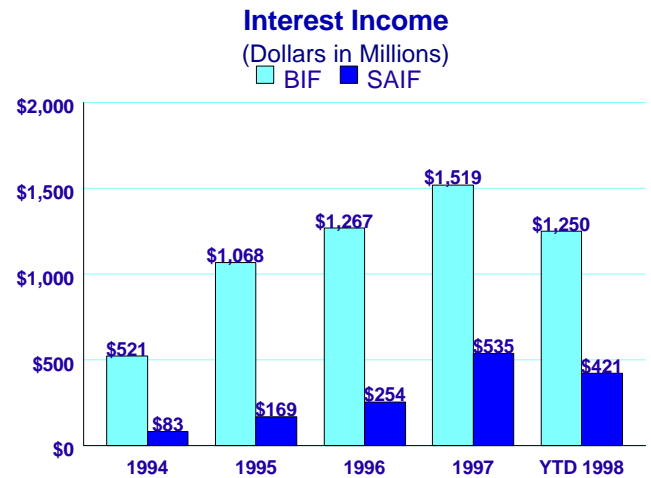
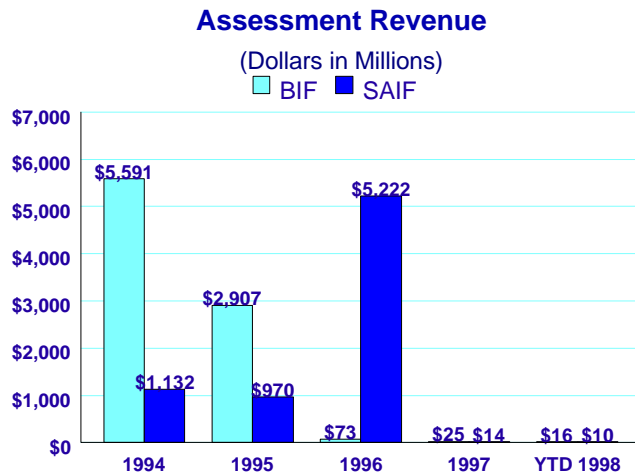
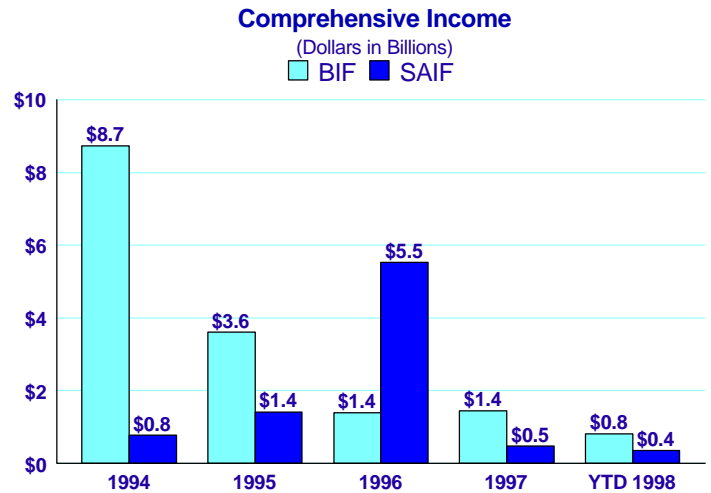
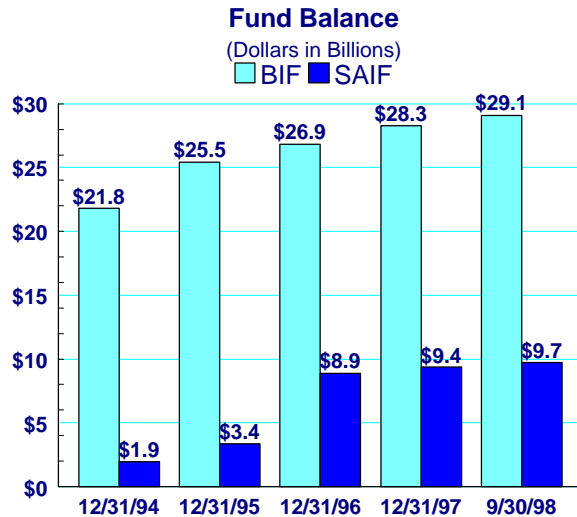
(b) Source: 6/30/98 FDIC Quarterly Banking Profile. BIF figure includes 27 U.S. branches of foreign banks.

(c) Source: 9/30/97 FDIC Quarterly Banking Profile. BIF figure includes 31 U.S. branches of foreign banks.

	FRF - FSLIC (Unaudited)		FRF - RTC (Unaudited)		FRF - Consolidated (Unaudited)	
	YTD 9/30/98	YTD 9/30/97	YTD 9/30/98	YTD 9/30/97	YTD 9/30/98	YTD 9/30/97
Cash Flows						
Cash Flows from Operating Activities:						
Cash Provided by Operating Activities	\$319	\$1,111	\$1,809	\$3,602	\$2,128	\$4,713
Cash Used for Operating Activities	(136)	(\$63)	(\$216)	(\$544)	(\$352)	(\$607)
Net Cash Provided by Operating Activities	\$183	\$1,048	\$1,593	\$3,058	\$1,776	\$4,106
Cash Flows from Financing Activities:						
U.S. Treasury Payments	\$0	\$0	\$0	\$0	\$0	\$0
Repayments of Federal Financing Bank Borrowings	\$0	\$0	(\$838)	(\$3,182)	(\$838)	(\$3,182)
Repayments of Indebtedness Incurred from Thrift Resolutions	(\$32)	(\$32)	\$0	\$0	(\$32)	(\$32)
Net Increase/(Decrease) in Cash	\$151	\$1,016	\$755	(\$124)	\$906	\$892
Selected Statistics						
Resolution Equity	\$2,095	\$1,916	\$7,168	\$6,141	\$9,263	\$8,057
Number of Active Receiverships	26	29	392	401	418	430
Number of Other Liquidating Entities	57	57	18	18	75	75
Rec./Assets Acquired from Assisted Thrifts and Terminated Receiverships	\$87	\$314	\$1,534	\$2,671	\$1,621	\$2,985
Federal Financing Bank Borrowings	\$0	\$0	\$0	\$1,394	\$0	\$1,394

Fund Operations

Financial Results through September 30, 1998

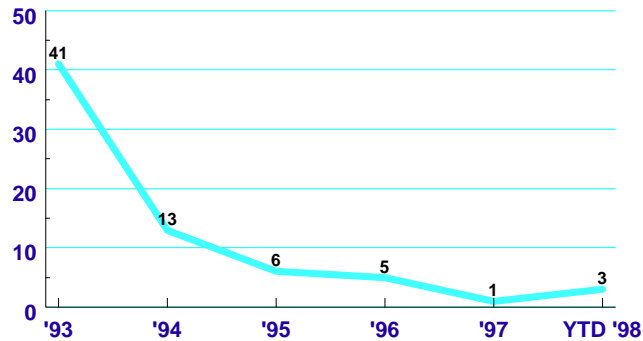


Results for the nine months ending September 30, 1998, are unaudited. All other BIF and SAIF balances are audited. Note that the U.S. General Accounting Office (GAO) audits the FRF on a consolidated basis. GAO rendered an unqualified audit opinion on the combined FRF for years ending 12/31/96 and 12/31/97. The 12/31/95 results, representing the last year-end before RTC sunset, of FRF-FSLIC and FRF-RTC were audited separately.

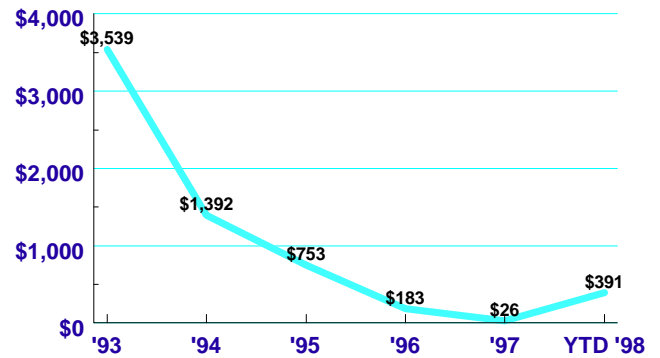
Insurance Activity

Through September 30, 1998

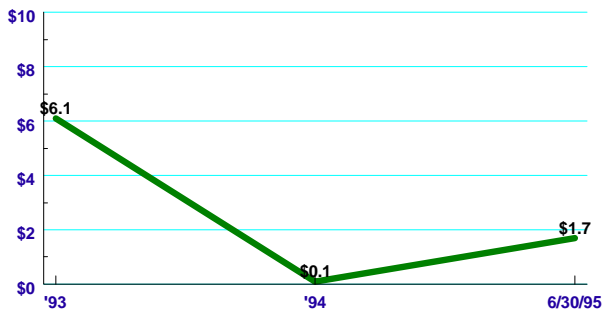
Number of Closed and Assisted BIF-Member Institutions



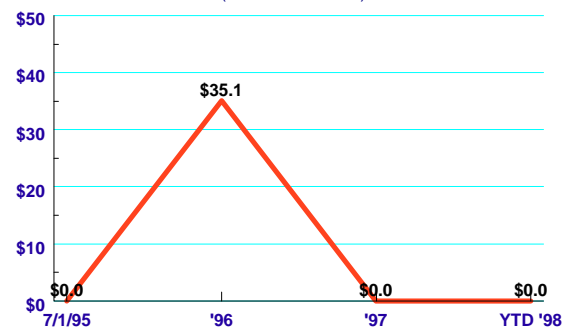
Assets of Closed and Assisted BIF-Member Institutions
at Date of Closing or Assistance
(Dollars in Millions)



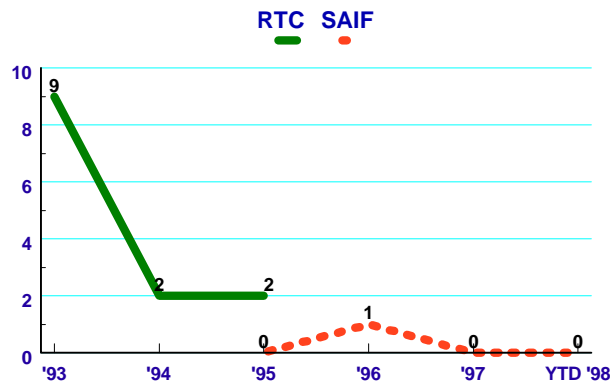
RTC: Assets of Failed Thrifts *
at Date of Failure
(Dollars in Billions)



SAIF: Assets of Failed Thrifts *
at Date of Failure
(Dollars in Millions)



Number of Thrift Failures *



*The SAIF assumed responsibility for thrift-member institution failures from the RTC on July 1, 1995.

Federal Deposit Insurance Corporation

Bank Insurance Fund and Savings Association Insurance Fund

Statements of Income and Fund Balance

(Dollars in Millions)

	B I F Quarter Ending September (Unaudited)		S A I F Quarter Ending September (Unaudited)	
	1998	1997	1998	1997
Revenue				
Assessments	\$ 8	\$ 7	\$ 6	\$ 0
Interest on U.S. Treasury investments	423	398	143	135
Revenue from assets acquired from assisted institutions and terminated receiverships	6	11	0	0
Other revenue	8	5	0	1
Total Revenue	445	421	149	136
Expenses and Losses				
Operating expenses	169	144	22	19
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	112	(321)	12	(2)
Expenses for assets acquired from assisted institutions and terminated receiverships	9	20	0	0
Interest and other insurance expenses	0	0	0	0
Total Expenses and Losses	290	(157)	34	17
Net Income	155	578	115	119
Unrealized gains on available-for-sale securities (current period)	15	0	6	0
Comprehensive Income	170	578	121	119
Fund Balance - Beginning	28,931	27,389	9,610	9,134
Fund Balance - Ending	\$ 29,101	\$ 27,967	\$ 9,731	\$ 9,253

	B I F Y-T-D September (Unaudited)		S A I F Y-T-D September (Unaudited)	
	1998	1997	1998	1997
Revenue				
Assessments	\$ 16	\$ 20	\$ 10	\$ 14
Interest on U.S. Treasury investments	1,250	1,111	421	397
Revenue from assets acquired from assisted institutions and terminated receiverships	19	32	0	0
Other revenue	18	19	0	1
Total Revenue	1,303	1,182	431	412
Expenses and Losses				
Operating expenses	501	414	62	50
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(15)	(397)	12	(3)
Expenses for assets acquired from assisted institutions and terminated receiverships	24	51	0	0
Interest and other insurance expenses	1	1	0	0
Total Expenses and Losses	511	69	74	47
Net Income	792	1,113	357	365
Unrealized gains on available-for-sale securities (current period)	16	0	6	0
Comprehensive Income	808	1,113	363	365
Fund Balance - Beginning	28,293	26,854	9,368	8,888
Fund Balance - Ending	\$ 29,101	\$ 27,967	\$ 9,731	\$ 9,253

Federal Deposit Insurance Corporation
Bank Insurance Fund and Savings Association Insurance Fund
Statements of Financial Position
(Dollars in Millions)

	B I F		S A I F	
	September 30		September 30	
	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
<u>Assets</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Cash and cash equivalents - unrestricted	\$ 1,721	\$ 242	\$ 484	\$ 198
Investment in U.S. Treasury obligations, net	26,021	26,217	9,128	8,922
Interest receivable on investments and other assets	525	475	138	134
Receivables from resolutions, net	873	1,170	5	6
Assets acquired from assisted institutions and terminated receiverships, net	48	16	0	0
<i>Cash and Investments-Restricted:</i>				
Exit fees	0	0	250	238
Software development and other capitalized assets, net	41	0	0	0
Property and buildings, net	143	146	0	0
Total Assets	\$ <u>29,372</u>	\$ <u>28,266</u>	\$ <u>10,005</u>	\$ <u>9,498</u>
<u>Liabilities</u>				
Accounts payable and other liabilities	\$ 208	\$ 193	\$ 12	\$ 7
<i>Estimated Liabilities for:</i>				
Anticipated failure of insured institutions	2	10	12	0
Assistance agreements	25	49	0	0
Litigation losses	20	14	0	0
Asset securitization guarantee	16	33	0	0
SAIF-member exit fees and investment proceeds held in escrow	0	0	250	238
Total Liabilities	<u>271</u>	<u>299</u>	<u>274</u>	<u>245</u>
<u>Fund Balance</u>				
Accumulated net income	29,085	27,967	9,725	9,253
Unrealized gains on available-for-sale securities	16	0	6	0
Total Fund Balance	<u>29,101</u>	<u>27,967</u>	<u>9,731</u>	<u>9,253</u>
Total Liabilities and Fund Balance	\$ <u>29,372</u>	\$ <u>28,266</u>	\$ <u>10,005</u>	\$ <u>9,498</u>

Federal Deposit Insurance Corporation

Financial Statements for FRF - FSLIC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	September 30 1998 (Unaudited)	September 30 1997 (Unaudited)
<u>Assets</u>		
Cash and cash equivalents	\$ 2,096	\$ 1,820
Receivables from thrift resolutions, net	44	94
Assets acquired from assisted thrifts and terminated receiverships, net	30	119
Other assets, net	5	4
Total Assets	\$ 2,175	\$ 2,037
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 12	\$ 13
Liabilities incurred from thrift resolutions	67	99
<u>Estimated Liabilities for:</u>		
Assistance agreements	1	9
Total Liabilities	80	121
<u>Resolution Equity</u>		
Contributed capital	44,156	44,156
Accumulated deficit	(42,061)	(42,240)
Total Resolution Equity	2,095	1,916
Total Liabilities and Resolution Equity	\$ 2,175	\$ 2,037
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date September 30 1998 (Unaudited)	Year to Date September 30 1997 (Unaudited)
<u>Revenue</u>		
Interest on U.S. Treasury obligations	\$ 83	\$ 61
Revenue from assets acquired from assisted thrifts and terminated receiverships	19	47
Interest on advances to receiverships and other revenue	1	13
Limited partnership revenue	0	5
Total Revenue	103	126
<u>Expenses and Losses</u>		
Operating expenses	5	2
Expenses for assets acquired from assisted thrifts and terminated receiverships	9	33
Provision for losses	(152)	(201)
Interest and other insurance expenses	108	40
Total Expenses and Losses	(30)	(126)
Net Income	133	252
Accumulated Deficit - Beginning	(42,194)	(42,492)
Accumulated Deficit - Ending	\$ (42,061)	\$ (42,240)

Federal Deposit Insurance Corporation

Financial Statements for FRF - RTC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	September 30 1998 (Unaudited)	September 30 1997 (Unaudited)
<u>Assets</u>		
Cash	\$ 917	\$ 176
Receivables from thrift resolutions, net	2,167	2,289
Securitization Reserve Fund, net	4,105	5,107
Assets acquired from assisted thrifts and terminated receiverships, net	32	107
Other assets, net	15	0
Total Assets	\$ 7,236	\$ 7,679
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 60	\$ 136
Notes payable - Federal Financing Bank borrowings	0	1,394
Liabilities incurred from thrift resolutions	8	6
<u>Estimated Liabilities for:</u>		
Litigation losses	0	2
Total Liabilities	68	1,538
<u>Resolution Equity</u>		
Contributed capital	91,338	91,345
Accumulated deficit	(84,170)	(85,204)
Total Resolution Equity	7,168	6,141
Total Liabilities and Resolution Equity	\$ 7,236	\$ 7,679
STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date September 30 1998 (Unaudited)	Year to Date September 30 1997 (Unaudited)
<u>Revenue</u>		
Interest on Securitization Reserve Fund	\$ 193	\$ 229
Revenue from assets acquired from assisted thrifts and terminated receiverships	6	20
Interest on advances to receiverships and other revenue	97	48
Total Revenue	296	297
<u>Expenses and Losses</u>		
Operating expenses	35	5
Interest expense on Federal Financing Bank debt	18	110
Expenses for assets acquired from assisted thrifts and terminated receiverships	8	18
Provision for losses	(374)	(1,059)
Total Expenses and Losses	(313)	(926)
Net Income	609	1,223
Accumulated Deficit - Beginning	(84,779)	(86,427)
Accumulated Deficit - Ending	\$ (84,170)	\$ (85,204)

Federal Deposit Insurance Corporation

Financial Statements for FRF - Consolidated

(Dollars in Millions)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
	September 30 1998 (Unaudited)	September 30 1997 (Unaudited)
<u>Assets</u>		
Cash and cash equivalents	\$ 3,013	\$ 1,996
Receivables from thrift resolutions, net	2,211	2,383
Securitization Reserve Fund, net	4,105	5,107
Assets acquired from assisted thrifts and terminated receiverships, net	62	226
Other assets, net	20	4
Total Assets	\$ 9,411	\$ 9,716
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 72	\$ 149
Notes payable - Federal Financing Bank borrowings	0	1,394
Liabilities incurred from thrift resolutions	75	105
<u>Estimated Liabilities for:</u>		
Assistance agreements	1	9
Litigation losses	0	2
Total Liabilities	148	1,659
<u>Resolution Equity</u>		
Contributed capital	135,494	135,501
Accumulated deficit	(126,231)	(127,444)
Total Resolution Equity	9,263	8,057
Total Liabilities and Resolution Equity	\$ 9,411	\$ 9,716
CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date September 30 1998 (Unaudited)	Year to Date September 30 1997 (Unaudited)
<u>Revenue</u>		
Interest on Securitization Reserve Fund	\$ 193	\$ 229
Interest on U.S. Treasury investments	83	61
Revenue from assets acquired from assisted thrifts and terminated receiverships	25	67
Interest on advances to receiverships and other revenue	98	61
Limited partnership revenue	0	5
Total Revenue	399	423
<u>Expenses and Losses</u>		
Operating expenses	40	7
Expenses for assets acquired from assisted thrifts and terminated receiverships	17	51
Provision for losses	(526)	(1,260)
Interest and other insurance expenses	126	150
Total Expenses and Losses	(343)	(1,052)
Net Income	742	1,475
Accumulated Deficit - Beginning	(126,973)	(128,919)
Accumulated Deficit - Ending	\$ (126,231)	\$ (127,444)